



J. TYLER McCAULEY
AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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June 17, 2005

TO: Supervisor Gloria Molina, Chair
Supervisor Yvonne B. Burke
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley 
Auditor-Controller

SUBJECT: **EXPANSION OF COUNTYWIDE CONTRACT MONITORING PROJECT
TO INCLUDE DEPARTMENT OF HEALTH SERVICES CONTRACTS
(Board Agenda Item #5.4, June 21, 2004)**

In June 2004, your Board directed the Auditor-Controller (A-C) to identify the additional resources needed to expand its Countywide Contract Monitoring Division (Division) to include contracts from the Department of Health Services (DHS) and report back to the Board. This memorandum provides information on the Auditor-Controller's actions related to expanding contract monitoring to include DHS under a pilot project.

Background

We requested that DHS provide us with a current listing of all their contracts by program and their contract monitoring plans including the resources currently used to monitor the contracts and the frequency with which the contracts are required to be monitored.

After several discussions with DHS management and the Audit Committee, it was determined that DHS needed to update their contract database and develop an action plan to address a number of concerns raised by the A-C including the adequacy of contract data. In December 2004, DHS provided the Audit Committee a corrective action plan which included key personnel to work with the A-C to determine what portion of DHS contract monitoring activities could be transferred to the A-C under the pilot project. The plan also proposed how DHS will update and correct contract data.

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Program Selection

In conjunction with DHS, we have selected the Office of AIDS Programs and Policy (OAPP) to be part of the Division's monitoring activity based on the program's significant funding levels and the number of contractors that provide direct program services. The OAPP program receives approximately \$68 million in federal/State and County funding and has approximately 300 different contracts with 89 contractors to provide direct program services.

According to OAPP management, 70 program staff spend approximately 35% of their time conducting **program** monitoring reviews of the 89 contractors. Each contractor is reviewed annually. In addition, eight DHS staff from their Centralized Contract Monitoring Division annually spends approximately 35% of their time conducting **fiscal** monitoring reviews of the OAPP contractors. DHS management indicated that the current staffing level assigned to conduct fiscal monitoring of the OAPP contractors is not sufficient to complete the planned number of fiscal reviews annually. For example, DHS' Centralized Contract Monitoring Division planned to complete 22 on-site fiscal reviews of the OAPP contractors this fiscal year and as of April 2005, 10 fiscal reviews have been partially completed. Consequently, in conjunction with DHS management, we determined that we can better assist DHS at this time by conducting fiscal reviews of the OAPP contractors. In addition, we will provide training and other monitoring support to enhance OAPP's program and fiscal monitoring functions.

Proposed Course of Action

Based on our meetings with DHS management that included managers from the OAPP and DHS' Centralized Contract Monitoring Division, we developed a work plan to enhance DHS' current monitoring efforts of the OAPP contractors. Attached is a listing of the tasks that we plan to complete. We estimate that five additional staff will be needed to complete the work plan. The annual cost of the additional resources will be approximately \$650,000. It should be noted that these funds are not currently allocated in the A-C FY 2005-06 budget.

We recommend that the A-C be directed to expand contract monitoring to include DHS OAPP contracts. In addition, we plan to bill this amount back to DHS, resulting in no additional net County cost to the Auditor-Controller's budget. If your Board approves expanding contract monitoring to include OAPP contracts from DHS, we will work with the CAO and DHS to identify the funding for the positions. In twelve months, in conjunction with DHS, we will evaluate the work plan, scope of services and cost.

If you have any question, please call me or have your staff call Don Chadwick at (626) 293-1102.

JTM:MMO:DC

Attachment

- c: David E. Janssen, Chief Administrative Officer
Department of Health Services
 - Thomas L. Garthwaite, M.D., Director and Chief Medical Officer
 - Fred Leaf, Chief Operating Officer
 - Violet Varona-Lukens, Executive Officer
 - Audit Committee
 - Public Information Office

**Auditor-Controller
Contract Monitoring Division
Department of Health Services- Office of AIDS Policy Programs
Planned Workload**

Fiscal Year 2005-06

- *Evaluate the program and fiscal monitoring instruments used by DHS staff* - The evaluation will include ensuring that all relevant OAPP program and fiscal requirements are monitored and that steps are listed to assist the DHS monitors to sufficiently document areas of non-compliance.
- *Review the contracts* - Review the contracts and provide the Department with written comments to improve contract wording. Specifically, the Auditor will determine if expected program outcomes are clearly stated, measurable statistics are required to be maintained by the contractors and outcome performance can be measured. Overall, the intent is to make sure contractors are held accountable and that the County's expectations of the contractors' performance are clearly stated and measurable.
- *Develop Risk Assessment Guidelines* - Develop Risk Assessment criteria to identify OAPP contractors for monitoring that pose the greatest risk.
- *Monitor selected contractors* – Using the developed Risk Assessment criteria, monitor selected contractors' performance and determine if they are meeting the contract's fiscal requirements.
- *Complete contract fiscal monitoring reviews for the OAPP* - Complete 15 to 20 contract monitoring reviews. This number may increase if resources and/or time permit. Findings will be discussed with the Department and contractors and a final report with recommendations and the contractor's corrective action plan will be issued to the Board of Supervisors.
- *Coordinate with the Department* – Coordinate the Countywide Contract Monitoring Division's (Division) monitoring with the Department's current monitoring of the contractors.
- *Consult with contractor staff* - Consult with contractor staff during the contract monitoring process to obtain their perspectives on improvements in the delivery of program services.
- *Consult with Department staff* - Consult with Department staff to obtain their perspectives on improving the contract monitoring effort, monitoring reviews, training needs, monitoring instruments used by department staff and overall contract monitoring plans.

- *Train Department staff* – Provide training to Department monitoring staff to enhance their monitoring skills consistent with Department protocols.
- *Communicate with the Board* - As necessary, discuss findings and recommendations with Board Offices, County Counsel and CAO.
- *Provide progress reports* - Meet with Department management on a monthly basis to discuss the status of the program and fiscal monitoring process.
- *Assist in the collection process* – Provide the Department with the necessary documentation obtained during the monitoring process to assist in collecting for over billed services.